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9 SEP 1970

MEMORANDUM FOR: Deputy Chief, Plans Staff, DD/S

SUBJECT : Proposed Notice on Agency Management Improvement Program

1. In response to your request of 3 September 1970 the following comments on this proposed notice are submitted:

(a) Section IV - Procedures.

Paragraph (1) states that cost reduction proposals will be submitted by 30 June for the coming fiscal year. It would, therefore, appear that any cost reduction would necessarily be based upon the budget estimate level submitted the previous September since fund levels of the operating budget would not be set by 30 June. This should be clarified.

(b) Section IV - Procedures.

Paragraph 2d(6) states that reductions in costs due solely to over estimates in budgetary requirements cannot be considered for cost reduction. It would appear to be difficult to determine of what an over estimate consists. Since estimates are made months in advance and workload changes occur due to change in emphasis, an apparent over estimate may actually be a cost reduction due to change in priorities and applied elsewhere.

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(c) Section IV - Procedures.

Carrying cost reductions forward to the two succeeding years, as required in paragraph 3, could lead to compounding cost reduction figures. Incorporation of cost reductions which are applied elsewhere into a budget submission would appear to be superfluous unless they were placed in Accomplishments and Objectives to show change in program emphasis.

(d) Section VIII - Awards.

Paragraph (l), states that memoranda of transmittal should indicate whether a Deputy Director intends to recommend any individuals for incentive awards in connection with the past year's accomplishments. It would appear that procedures should provide for recommendations to be made by the component operating officials since only they can determine whether or not a management improvement proposal was made by a management official in line of duty.

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Howard J. Osborn
Director of Security

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Agency Management Improvement Program

I - Purpose

1. This Notice establishes a formal Agency-wide management improvement program in accordance with the provisions of OMB (BOB) Circular No. A-44 (Rev.), dated February 16, 1970. It sets forth policy, procedures and guidelines. It also assigns responsibilities for carrying out a continuous effort to increase productivity and operating efficiency and reduce costs.

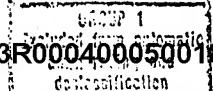
II - Definitions

1. For the purpose of this Notice, the following terms are defined:

a. Management effectiveness -- Includes those actions taken which result in improved operating efficiency, increased productivity, and curtailment of redundant, low priority, and marginally useful activities. Such actions do not have to be measured in dollar values.

b. Cost reduction -- Includes those actions taken to increase productivity, improve efficiency, and eliminate unnecessary activities when such can be measured reasonably accurately in dollars or manpower actually saved or reprogrammed compared with actual costs in the immediately preceding year.

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III - Policy

1. The Agency management improvement program consists of five interrelated elements:

- a. Efficiency and productivity increases.
- b. Cost reduction.
- c. Study of Agency-wide or inter-Directorate activities.
- d. Idea interchange.
- e. Recognition of individual accomplishment in exceptional improvement actions.

2. The basic requirement for Directorate management improvement programs is the identification of program and component objectives coupled with performance evaluation on a regular basis. This requires the development of understood quantitative measures of program or components performance, and where such quantitative factors are inconclusive, uninformative, or impractical, the identification of qualitative or other measures. Specifically this involves:

- a. The development in each Directorate of procedures for computing the dollar value of cost-reduction or other management improvement actions taken, and determining the assignment and dollar value of resources reprogrammed to other activities.

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- b. The command action to effect rational cost-reduction or other management improvement actions.
- c. The reporting of results on a schedule to the Director.
- d. The recognition of individuals who achieve exceptional results or otherwise make a commendable contribution under the program.

3. The program also will include special studies as needed.

Deputy Directors, the Inspector General, the Deputy to the DCI for National Intelligence Programs Evaluation, and the Director of Planning, Programming, and Budgeting are encouraged to identify in their planning those activities which they feel need inter-Directorate or Agency-wide attention.

IV - Procedures

1. By 30 June of each year, each Deputy Director will submit to the Executive Director-Comptroller, a formal management and cost-reduction program plan. The plan for FY 1971 will be submitted by 30 October 1970 (see Section IX - Reports).

2. Directorate annual plans will include four sections:

Section I -- Management Effectiveness Goals -- upcoming fiscal year.

Section II -- Cost-Reduction Goals - upcoming fiscal year.

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Section III -- Management Effectiveness Accomplishments --

current fiscal year.

Section IV -- Cost-Reduction Achievements -- current
fiscal year.

a. Section I -- Management Effectiveness Goals -- This will cover actions and studies the Directorate intends to initiate during the upcoming fiscal year which can be expected to increase efficiency or reduce costs. Normally this section will include only those actions for which the quantification or identification of precise monetary (dollar) savings cannot be clearly estimated.

b. Section II -- Cost-Reduction Goals -- This will cover those studies and actions to be undertaken during the upcoming year by the Directorate which may lead to savings measurable in dollars or manpower of which would provide operating flexibility to meet unbudgeted workload or program requirements. Cost-reduction planning should focus on: hard and regular evaluation of lower priority or marginal activities; identification and development of less costly methods and techniques for doing our business; and the definition of concrete actions to increase productivity. To be responsive to A-44 this section must set forth both Directorate and component cost-reduction goals, expressed in

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dollars and manpower where possible. Cost-reduction goals must be realistic and represent actual savings expected as compared with the components' actual costs in the immediately preceding year.

c. Section III -- Management Effectiveness Accomplishments --

current fiscal year -- This section reports efficiencies achieved as compared with planning goals established in Section I of the previous year's submission. Unanticipated achievements will also be described, including those recognized under the incentive awards program.

d. Section IV -- Cost-Reduction Achievements -- current

fiscal year -- This section will include actual dollar or manpower savings achieved as compared with planning goals identified in Section III of the previous year's submission. Unanticipated achievements also will be reported in this section.

Only reductions in costs which can be attributed to deliberate management actions will be reported under this program. Monetary savings or cost-reduction for this purpose does not include such things as:

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- (1) Reductions in costs due solely to a decline in demand for Directorate or component output or service.
- (2) Reductions in costs due to deferment or postponement of new programs or activities.
- (3) Reduction in costs resulting from the transfer of responsibility to another component, Directorate or government agency except to the extent there is a net savings to the government.
- (4) Reductions in costs due to uncompensated overtime.
- (5) Reductions in costs based on the acquisition of excess property when funds for purchase of similar property were not or would not have been available.
- (6) Reductions in cost due solely to over-estimates of budgetary requirements.
- (7) Reductions in costs resulting from decisions made by authorities external to the Agency.

3. The estimated budgetary impact of cost-reduction actions will be reported. The monetary savings which result or are expected from each cost-reduction or management improvement action will be calculated, individually identified, and reported for each of three fiscal years -- the year in which the savings occurs and the two succeeding fiscal years.

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Savings reported for those succeeding fiscal years will represent an estimate of the funds or manpower which would have been required in each year if the improvement or reduction actions had not taken place.

These data will also be incorporated in the annual budget submission in a manner prescribed in the annual budget call.

4. Each Directorate will establish controls to assure that funds or manpower made available through the cost-reduction program are used only for approved programs or activities, including approved increases in the level of resources assigned to those activities. Savings will be reported by component, program category, sub-category and element and will reflect disposition of anticipated or actual savings in one or more of the following categories:

a. Reprogrammed or reallocated to approved requirements of the affected component.

b. Reprogrammed or reallocated to approved requirements of Directorate components.

c. No longer required to carry out approved programs and either placed in reserve or applied to reduce the Agency's budget.

V - Validation

1. The Director of Planning, Programming, and Budgeting is responsible for the validation of the dollar or other unit value of reported

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savings and reprogrammings resulting from the Agency's management effectiveness and cost-reduction program. Validation will consist of a review of reported actions to confirm the accuracy of the amounts reported and their disposition or allocation to approved programs, prior to preparation of the Agency annual report to the Office of Management and Budget

2. Validation procedures should provide reasonable assurance that:
 - a. Reported actions actually took place.
 - b. The savings reported represent reasonably accurate computations, or estimates of the savings which occurred in the year reported and are the result of management initiative.
 - c. Reported savings are the net of identified offsetting cost increases.

VI - Inter-Directorate Studies

1. If applicable, a Deputy Director will include in the Directorate annual plan his recommendations concerning areas which he feels require inter-Directorate or Agency-wide study.

VII - Idea Interchange

1. With due regard to security and "need-to-know" factors, the Director of Planning, Programming, and Budgeting will select and

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disseminate annually to other Directorates a summary of those accomplishments which may have useful application for management improvement or cost-reduction purposes to other Agency activities and components.

VIII - Awards

1. Memoranda of transmittal should indicate whether the Deputy Director intends to recommend any individuals for incentive awards in connection with past year accomplishments in the Management Improvement Program. Such recommendations should be formally submitted by 31 July each year.

2. Deputy Directors and the Director of Planning, Programming, and Budgeting, may recommend individuals for Presidential recognition where their achievements in cost-reduction or management improvement are of sufficient importance to warrant nomination.

IX - Reports

1. Agency -- The Director of Planning, Programming, and Budgeting is responsible for compilation and preparation of the annual management improvement and cost-reduction reports as required by OMB (BOB) Cir. A-44, Revised.

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2. Directorates -- Reports from each Directorate will be submitted to the Executive Director-Comptroller by 30 June each year in a format to be prescribed by the Office of Planning, Programming, and Budgeting. The initial report due 30 October 1970 will define the areas selected for study and related goals for FY 1971 and the results of any significant management improvement projects completed during FY 1970.

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